MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2018/2019

BIB2074 – INTERNATIONAL BUSINESS

(All sections / Groups)

24 OCTOBER 2018
9.00 a.m – 11.00 a.m
(2 Hours)

INSTRUCTION TO STUDENTS

1. This Question paper consists of 4 pages with 4 Questions only.

2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.

3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

In the past several years we find that many countries are beginning take a more regressed step at globalisation. For instance, many are waiting to see what happens after *Brexit*, or the withdrawal of Britain from the European Union. The United States, has too, since President Donald Trump's administration, taken a more hard-lined approach in protecting its borders against immigration, particularly from Mexico. He even proposed to build a wall separating both countries. Even in Malaysia, since the recent change of the nation's leadership as a result of the May general elections, the new Government has been reviewing all foreign-linked projects and assess their benefits for Malaysians.

In all the three countries, the contention is mainly in regard to jobs. The UK is worried that Britons' jobs are taken away by those from other EU countries who are allowed to work and stay in the UK without restrictions. In the United States, President Donald Trump wants to help US citizens wrestle the jobs which were claimed to be taken away by the Mexicans. Similarly in Malaysia, the Government claimed that the ECRL project did not benefit Malaysians as it is costly and they employ mainly China's citizens as workers.

a) Explain "globalisation" and its **TWO** (2) facets. (5 marks)

b) Critically discuss how globalisation affect jobs. Discuss the issue from the following perspectives (*Your answers must be supported by evidences from the case and/or your general knowledge in the said issues*).

i) Critics' view. (4 marks)
ii) Supporters' view. (4 marks)

c) In the case of Malaysia, the present Government regard China's FDI in Malaysia as a form of exploitation. Nonetheless the Government is not taking a *radical* approach to China's FDI. Rather, they chose to be *pragmatic* and regard China's investment to be beneficial in some way but must be monitored.

Explain the **THREE** (3) ideology approaches to FDI namely the *radical view*, the *free market view*, and *pragmatic nationalism.* (12 marks)

(Total: 25 marks)

Continued...

QUESTION 2

Dubai is one of the world's wealthiest cities and a major business hub in the Middle East. It is the largest and most populated constituent of the United Arab Emirates (UAE), a federation of seven or monarchy-styled *emirates* ruled by hereditary *emirs*. Dubai has long been regarded as one of the most progressive Muslim states that is liberal and friendly to international business. Because of its progressiveness, tolerance, and receptiveness to foreign investment, many Western nations have used Dubai and the UAE as a bridge to penetrate into the Middle Eastern market.

Nonetheless, the federation still maintained a strong Islamic identity. The Islamic way of life, or *sharia* governs every aspect of the lives of residents in the UAE, and only products and services that are *halal* are allowed; this include business dealings and commerce. Therefore, the conventional banking system is not practiced as *riba* or charging interest is forbidden in Islam. Instead, the UAE practiced the Islamic banking system which was formerly developed in Egypt.

a) Explain the implications of Islam on business and commercial activities . (3 marks)

b) Clarify why *riba,* or charging interests is forbidden in Islam. (4 marks)

c) Elaborate **TWO (2)** methods to make profit under an Islamic banking system without charging interests. (6 marks)

The UAE legal system is actually a hybrid system from British, French, Roman and Egyptian sources, as well as Islamic *sharia.* The majority of countries in the world practice a combination of two or more types of legal systems.

d) Explain the **THREE (3)** types of legal systems practiced in the world.
(12 marks)

(Total: 25 marks)

Continued...

QUESTION 3

Malaysia and Thailand are the world largest producers of durians. Both countries account for the majority of durian exports to East Asian countries particularly Hong Kong and China. The export value of durian exports from Malaysia has doubled from US$8.8 million in 2011 to almost US$18 million in 2017. But Thailand produces many more durians, with Malaysia accounting for only a fraction of these exports. Thailand's estimated production is 600,000 tonnes, while Malaysia's projected durian output is 400,000 tonnes. Nonetheless, Thai authorities are worried that the obsession with durians may be a fad and decline in the next five to ten years.

Sources:

1. Bangkok Post, 30 May 2018, " Is Durian Love a Fad or Forever?

2. The Straits Times, 9 July 2017, "Thorny Times for Durian Orchards in Malaysia"

a) Which country has an absolute advantage over the production of durians? (2 marks)

Assume both Thailand and Malaysia have 800 units of resources each, and the resources are equally distributed for the production of durians and pineapples. Thailand uses 20 units to produce 1 mil. tonnes of durians and 32 units to produce 1 mil. tonnes of pineapples. On the other hand, Malaysia uses 50 units to produce 1 mil. tonnes of durian and 40 units to produce 1 mil. tonnes of pineapples. Later, in order to capitalise on comparative benefits, both countries decided to specialise. Thailand increases its resource allocation for durian production to 560 while Malaysia specialises completely in the production of pineapples. Both countries then traded on the basis of 8 durians for 8 pineapples.

Note: The following sub-sections (b), (c), and (d) should be presented in a table.

b) Before specialisation, what is the total durians and total pineapples produced? (6 marks)

c) After specialization based on comparative advantages, what is the total durians and total pineapples produced? (6 marks)

d) After trade, what are the extra amount of durians and pineapples enjoyed by both countries. (8 marks)

e) Suppose the price of 1 kg of Monthong durian is RM30 in Malaysia and ฿200 in Thailand, what is the exchange rate based on the *Law of One Price?* You may express your answer in either direct or indirect quote. (3 marks)

(Total: 25 marks)

Continued...

QUESTION 4

As corporations grow, the need to expand its markets makes entering foreign markets a rational decision. In this sense, a wholly-owned subsidiary is often the logical choice.

a) Explain what is a "wholly-owned subsidiary", along with its advantages and disadvantages. (8 marks)

Along with the establishment of international presence, these corporations will usually send individuals on international assignments to fill organizational skills gaps and maintain competitive advantage in those countries. However, according to research by Brookfield Global Relocation Services, rates of expatriate failure remain as high as 16-40 percent, and such failures lead to substantial losses. Research published in *Career Development International* suggests that U.S.-based firms lose more than $6 billion annually in failed overseas assignments. Organizations try various approaches to help expatriates become successful on assignment, with varying success.
Source: Association for Talent Development (1 May 2018), "Nurture Connections to Enhance Expatriate Success".

b) Who is an expatriate? (2 marks)

c) Explain **FIVE** (5) common reasons why expatriate managers fail. (15 marks)

(Total: 25 marks)

End of Paper